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DR-CAFTA Offers Many Benefits

By Kathleen L. Mechem

The Battle Creek Area Chamber of Commerce has joined the Business Coalition for U.S.-Central American Trade, a broad-based group of U.S. companies and associations that have joined together to promote the negotiation, approval and implementation of a comprehensive and meaningful free trade agreement with the governments of Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras and Nicaragua. This coalition supports the U.S.-Dominican Republic-Central America Free Trade Agreement (DR-CAFTA). DR-CAFTA will level the playing field for U.S. workers and businesses by providing immediate, duty-free access to the six-country market for more than 80 percent of U.S. consumer and industrial goods, and these foreign trade barriers will disappear entirely in a few years. The coalition's members represent major sectors of the U.S. economy, including agriculture, manufacturing, merchandising, publishing, services and shipping, as well as trade organizations and local chambers of commerce.

Twenty years ago, the United States eliminated tariffs on about 75 percent of all imports from Central America and the Caribbean as part of the Caribbean Basin Initiative. But today, U.S. manufactured goods exported to the region continue to face tariffs that average 30 to 100 percent higher than U.S. tariffs. Completed negotiations to establish a U.S.-Central American Free Trade Agreement (CAFTA) will expand and make reciprocal the market access for goods, services and agricultural products that the U.S. Congress unilaterally granted to these six countries. The DR-CAFTA-negotiated agreements currently need to be approved by all involved governments, including the United States. The agreements would provide significant economic gains for all nations involved. They would:

Immediately eliminate tariffs on over 80 percent of U.S. manufactured exports to the six Central American and Caribbean countries, with remaining tariffs eliminated within 10 years. Key U.S. exports that will immediately receive duty-free treatment include information technology, construction and agricultural equipment, a range of chemicals and pharmaceuticals, paper and medical and scientific equipment.

Immediately eliminate tariffs on over 50 percent of U.S. agricultural exports to the six Central American and Caribbean countries, with most remaining tariffs eliminated within 15 years. Key U.S. agricultural exports expected to gain significantly include feed grains, wheat, rice, soybeans, poultry, pork and beef.

Reduce or eliminate barriers to U.S. services such as construction, energy, entertainment, distribution, financial, information technology and telecommunications and professional services.

Expand opportunities for the many U.S. businesses - large and small - that already export to the six Central American and Caribbean countries.

Increase U.S. sugar imports from the six countries, thereby lowering business production costs, which are currently artificially inflated by restricted U.S. imports of sugar.

The potential benefits of the DR-CAFTA for our employers are huge. In Michigan, the agreement is expected to benefit food processors and manufacturers, as well as transportation equipment manufacturers, by relieving trade imbalances. U.S. exports to the region total nearly \$14 billion, according to the U.S. Chamber of Commerce. In 2003, Michigan alone exported over \$93 million to the DR-CAFTA countries, according to the Office of Trade and Economic Analysis, all of this taxed as noted above. In Battle Creek, manufacturing represents the largest component of our labor force and total jobs. CAFTA will help us keep these jobs in Battle Creek by leveling the playing field.

The Battle Creek Area Chamber of Commerce supports the coalition's efforts to reduce unfair trade restrictions on our chamber members and local employers, to expand economic opportunities and to create a positive economic environment for our companies. We fully support efforts to encourage free enterprise, open and expand foreign markets, liberalize trade and investment, and promote fair competition.

Kathleen L. Mechem is president and chief executive officer of the Battle Creek Area Chamber of Commerce.